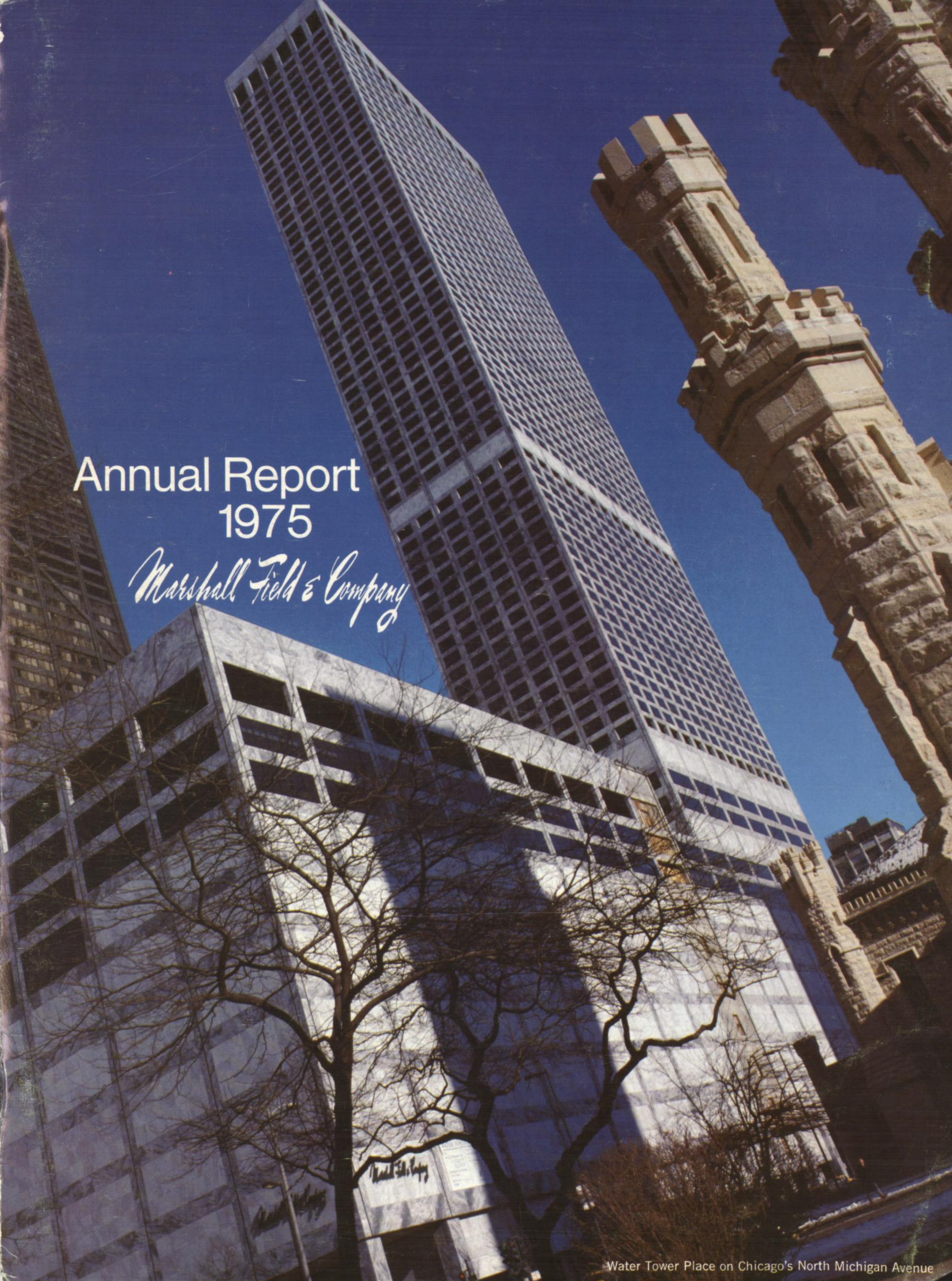
Annual Report
1975
Marshall Field & Company


Marshall Field & Company

Water Tower Place on Chicago's North Michigan Avenue

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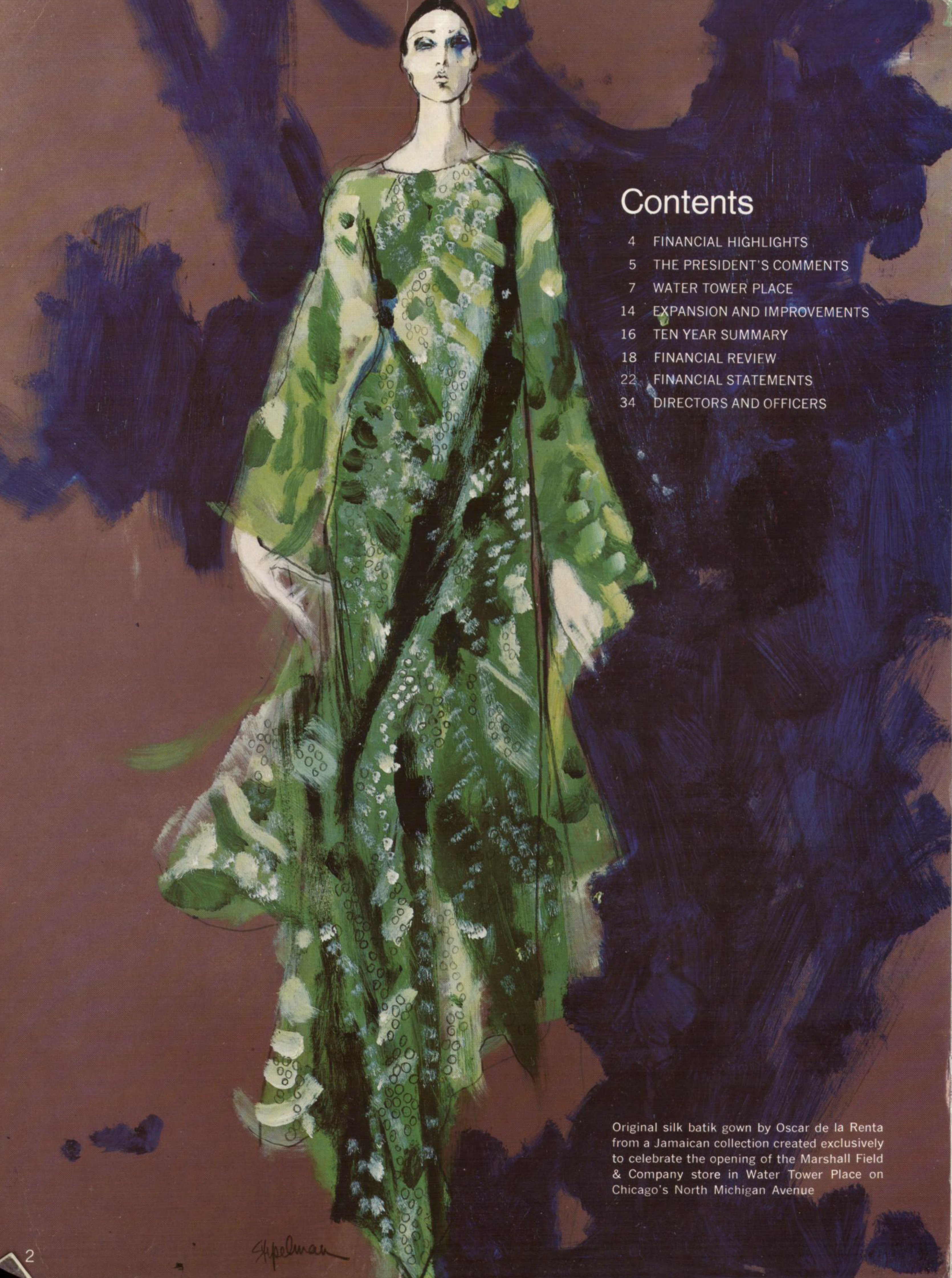

Original silk batik gown by Oscar de la Renta from a Jamaican collection created exclusively to celebrate the opening of the Marshall Field & Company store in Water Tower Place on Chicago's North Michigan Avenue

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Marshall Field & Company

Annual Report to Stockholders

FOR THE YEAR ENDED JANUARY 31, 1976

FOUNDED IN 1852 A DELAWARE CORPORATION
CORPORATE OFFICES 25 EAST WASHINGTON STREET CHICAGO, ILLINOIS 60690

Financial Highlights

(in thousands of dollars)

	Fiscal Year	
	1975	1974
Net Sales	$573,779	$547,600
Income before Income Taxes	37,181	39,322
Net Income	19,326	20,310
Per Common Share	2.13	2.24
Dividends Declared	11,277	11,291
Per Common Share	1.24	1.24
Net Income Retained	8,049	9,019
Accounts Receivable	90,524	85,775
Merchandise Inventories	87,640	83,805
Working Capital	105,986	109,462
Capital Expenditures—		
Modernization and Replacement	8,233	5,872
Expansion	15,004	13,122
Depreciation	8,880	7,563
Common Stockholders' Equity	228,145	220,077
Per Common Share	25.20	24.31

Annual Meeting

The annual meeting of stockholders of the Company will be held Thursday, June 17, 1976, at 2:00 p.m. at The Ritz-Carlton Hotel, 160 East Pearson Street, Chicago, Illinois. Formal notice of the meeting will be mailed with the proxy material to stockholders on or about May 7, 1976.

Form 10-K Available

Single copies of the Company's 1975 annual report on Form 10-K to be filed with the Securities and Exchange Commission, including financial statements and schedules, will be available, without charge, to any stockholder after April 30, 1976, upon written request to the Secretary of the Company at 25 East Washington Street, Chicago, Illinois 60690.

The President's Comments

Reflecting the change in the national economy, operating results for your Company improved during 1975 from the recession-weakened first half to a strong recovery in the second half. Holiday sales were the highest in our history.

Excellent third and fourth quarters made it possible to overcome earlier declines. However, there was a special charge of 11 cents per common share against earnings resulting from a review of our real estate investments. As a consequence, net income after this adjustment was $19,326,000, a decrease of 4.8 per cent from the prior year. Earnings per common share were $2.24 before the special charge of 11 cents per share. After the adjustment, earnings per common share were $2.13 as compared with $2.24 in 1974. Net sales in 1975 reached a record level of $573,779,000, a 4.8 per cent increase over the 1974 total.

Despite the difficult economic environment at the beginning of the year, 1975 was in many ways a pivotal time for your Company. We determined to meet the challenge of severe recession with strict inventory and expense controls. We resolved further to maintain the highest standards in merchandising and services while continuing actively to seek a greater share of market. At the same time we also endeavored to further enhance our reputation for quality and integrity.

We undertook a full range of activities within the Company to position our stores to benefit from the upturn in business and to provide for our future growth.

These programs included the initial phase of the renovation of the main floor of our world-famous State Street store; the modernization of key, older outlying stores; the restructuring in our Chicago Stores of our buying and selling organization; and the reorganization of our fashion merchandising and promotion. We introduced unusual and distinctive merchandise presentations, especially those appealing to the younger apparel shopper. We continued the major capital investment program to equip all of our Chicago area stores with electronic point-of-sale registers. We also continued the recruiting of able and professional managers from outside our business. And, in 1975, our expansion program added two new and different facilities to the Company, an outlying shopping center store and a unique urban center unit.

At the end of the year, then, not only were sales and earnings at much more satisfactory levels, but our business had been greatly strengthened. The start of the State Street half of the first floor modernization, within its traditional character, was so well received that the schedule was advanced to permit that phase to be completed this year. Major outlying stores, Old Orchard and Oakbrook in Chicago and Westgate in Cleveland, are taking on a more contemporary appearance. A major merchandising and promotional effort was under way in all divisions to expand our market dominance to include more young customers. We added early last year another fine outlying store at the Fox Valley shopping center, serving Chicago's western suburbs, and, this spring, we opened our thirty-first unit, the fifteenth in the Chicago Stores Division, at Orland Park, which serves the important southwestern suburban area.

And, last October, we opened our store in the shopping mall of Water Tower Place, the elegant and unique facility on Chicago's North Michigan Avenue. Your Company's subsidiary, Mafco, is co-venturer in this pioneering enterprise which combines a condominium tower and a luxury hotel, the Ritz-Carlton, with the vertical shopping center.

Because of its landmark importance, and as stockholders may not have had the opportunity to see it, Water Tower Place is shown on the cover and on following pages of this report.

Our store there, which is truly unusual and adds great distinction to your Company, is exceeding our expectations. It is important to note that during the holiday shopping season, when our Water Tower Place store was producing excellent sales, our State Street store enjoyed exceptional traffic and achieved a sales increase.

Water Tower Place symbolizes our present plans and expectations—to be innovative and forward-looking.

As you know, your Company has unmatched traditions—our name and reputation, exceptional financial strength, attractive and welcoming stores, great skills in merchandising, and more than a century of leadership in our industry.

To these traditional strengths we are determined to add new dimensions—a greater resourcefulness, lean and adaptable management, and a greater flexibility, an openness to change and the courage always to be different.

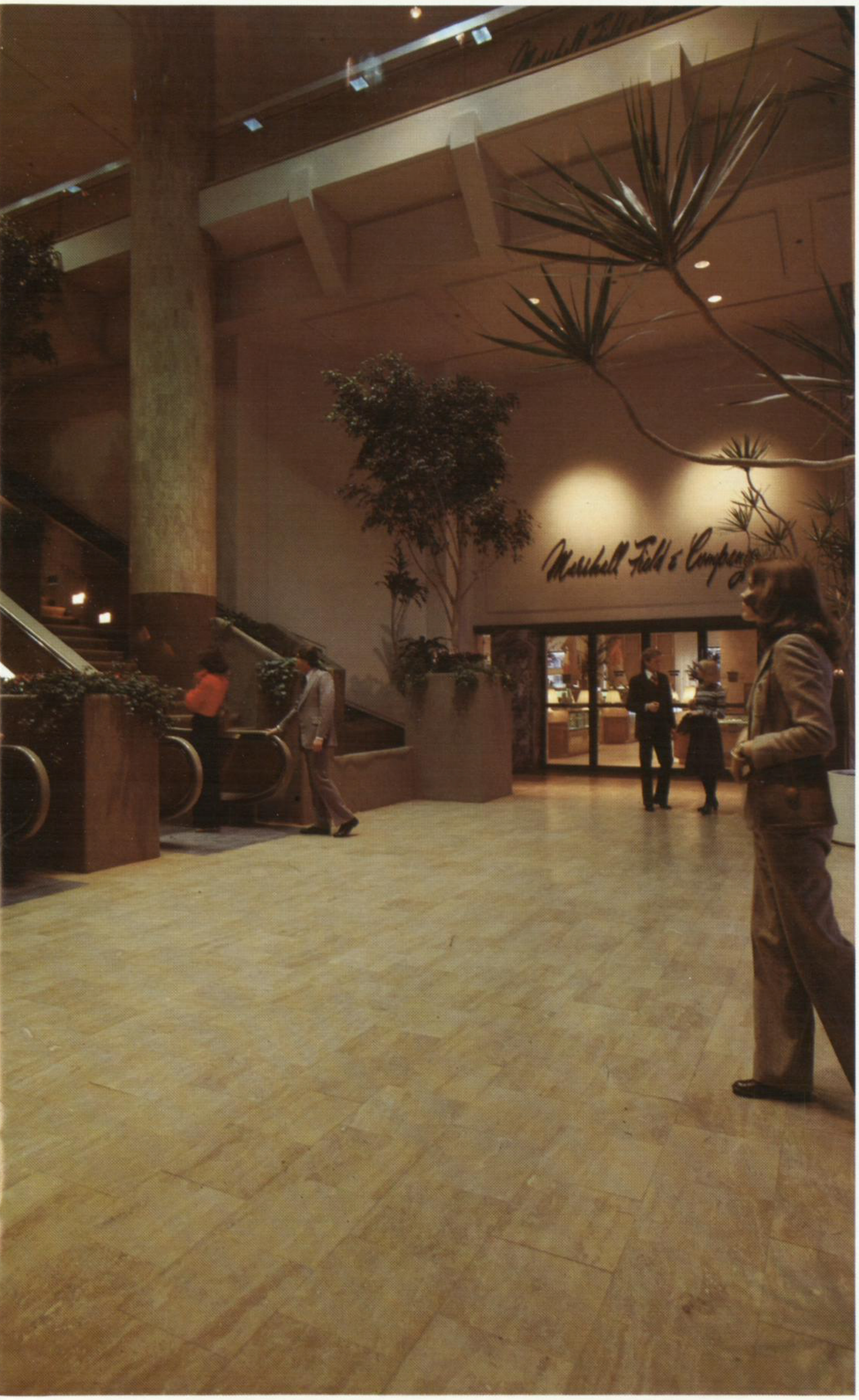
We bring to this year renewed vigor and dedication. All the forecasts suggest increasing opportunities for retailers and, to the extent that they are accurate, we expect 1976 to be a strong year for your Company. After two years, consumers now appear to be regaining confidence, which should markedly increase sales activity.

Whatever this year brings, we are determined to be alert and aggressive, steadfast to our traditions, and eager to meet new opportunities with new ideas and new programs for the improvement and expansion of Marshall Field & Company.

John Burnham
President

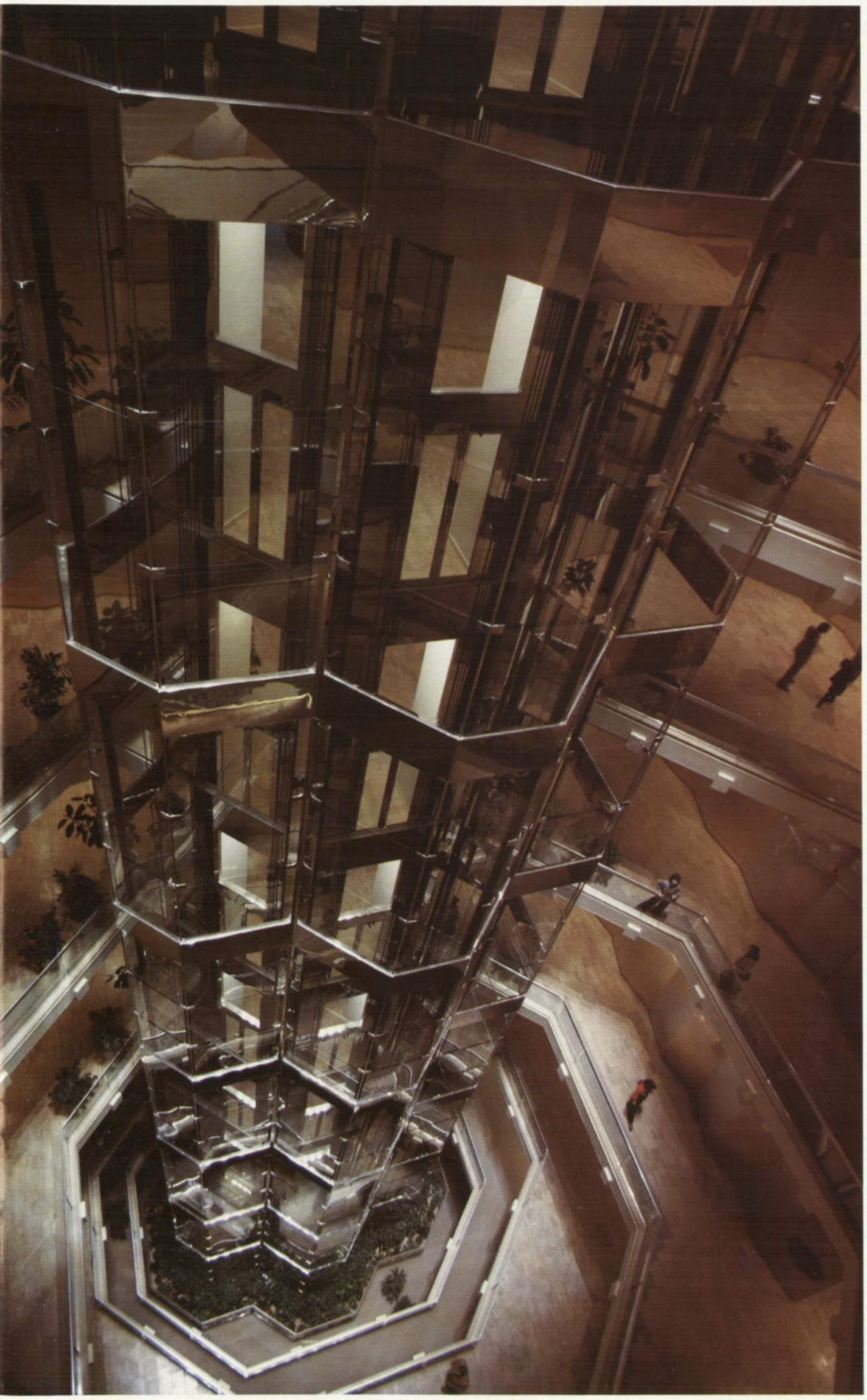
April 21, 1976

Water Tower Place



The unique Water Tower Place opened last October on Chicago's elegant North Michigan Avenue. Designed for today's urban life style, it features a vertical shopping center built around a soaring seven-story mall, the superb Ritz-Carlton Hotel and a tower of condominium residences. The cover of this annual report shows Water Tower Place. On this and following pages are views of the Marshall Field & Company store there and other attractions of Water Tower Place. Our store opens out to each level of the atrium shopping mall. At left is the lobby entrance to our store. Other fine shops and boutiques, restaurants and theaters give Water Tower Place unusual and distinctive character. Your Company's subsidiary, Mafco, Inc., is co-venturer in this project.

The Marshall Field & Company store in the atrium shopping mall is as different and dramatic as Water Tower Place itself. Reflecting our traditions of distinctive merchandise, the finest quality and service, it reflects as well the urban market it serves, with emphasis upon unusual assortments, rare items and the latest in fashion. The first floor (at left) has fashion accessories for women, antique jewelry, cosmetics and fine luggage. Men's clothing and furnishings are on the first floor and the mezzanine level. The next two floors offer fashions for women in exceptional shops. Contempo, Pappagallo and Young Chicago are on two. The Designer Room, with American and European fashions, as well as Pacesetter, Sunningdale, and the Sundown shops, The Country Shop, Fur Salon and the Brides' Room are on three. Children's fashions, toys and games are on four. The fifth and sixth floors feature home fashions. They include china, glassware, pewter and silver, Crossroads Market, antique accessories, the Decorating Galleries and the Picture Gallery. The seventh floor has foods, the Wine Shop and Gourmet Galley, and the Tower Room restaurant. All levels of the store open out into the atrium shopping mall, with its stunning glass-enclosed elevators, shown at right.



The Ritz-Carlton

From the street-level entrance, the Ritz-Carlton elevators take guests to the hotel's main lobby and function rooms on the twelfth floor. Here are The Greenhouse (at left), The Dining Room (at right), The Cafe, lounges, ballroom and private dining rooms for meetings and for entertaining. The Ritz-Carlton has four hundred and thirty guest rooms and twenty apartments on its guest floors, each floor with its own pantry for around-the-clock service. The hotel also will have a health spa with a swimming pool. In the Ritz tradition, the staff number more than the hotel guests. The Ritz-Carlton brings to Water Tower Place, to Chicago, and to the nation the finest in hotel accommodation and service. It complements and completes the amenities and the elegance of Water Tower Place.

The Residences

The condominium apartments carry Water Tower Place to its full seventy-four stories. Served by a separate entrance on Pearson Street opposite Seneca Park, they set a new standard for urban living. The outer lobby has handsome bronze gates and is attended around the clock. The residents' lobby is supervised by a concierge. Private elevators join the inner lobby and the residences. The two pictures on these pages suggest the character and the charm of the residence interiors. They offer exceptional city views as well. The apartments were designed for those who seek excellence—they are spacious, luxurious and secure. Each has been planned with care and attention to every detail. All have been arranged for gracious living, with dining rooms for entertaining, libraries, expansive living rooms, quiet bedrooms, marble baths and the latest in kitchens. Separate from the other worlds of Water Tower Place, the residences are of the same character of excellence and elegance.

Expansion and Improvements

Marshall Field & Company
Marshall Field & Company

The Company's Chicago Stores Division opened its 15th store in March at Orland Square to serve the important southwest suburban market.

Under the Company's expansion program, our Water Tower Place store of 170,000 square feet opened on Chicago's North Michigan Avenue in October 1975. Our 200,000-square-foot store opened in March 1976 in the Orland Square shopping center 28 miles southwest of downtown Chicago.

Additional stores are planned as follows:

Location	Square Feet
Joliet, Ill.	150,000
West Dundee, Ill. area	150,000
Bloomingdale, Ill.	150,000

Opening dates have not been determined.

Mafco, Inc., a wholly-owned subsidiary, is a co-venturer in the following projects:

Project	Nature of Project	Mafco's Ownership Interest
Water Tower Place, Chicago, Ill.	Urban center	½
The Ritz-Carlton, Chicago, Ill.	Hotel	½
Hawthorn Center, Vernon Hills, Ill.	Shopping center	⅔
New Century Town, Vernon Hills, Ill.	New town	⅓
Westbrook, Aurora, Ill.	New town	⅓
Orland Park, Ill.	Shopping center, residential and commercial	⅓

The first phase in the remodelling of the first floor of the State Street store includes The First Place, offering fashions for today's woman.

Mafco also has invested in the purchase of land at Bloomingdale, Ill., and may participate on some basis in the shopping center and adjacent land development planned for that location.

All projects involve a shopping center in which the Company has or will have a major store. These ventures facilitate the Company's retail expansion and offer potential for long-term return on investment.

The shopping centers, and Water Tower Place except for its condominium apartments, are being held for rental income. The Ritz-Carlton Hotel at Water Tower Place is being held for its operating income. Land adjacent to shopping centers is in various stages of preparation for sale to other developers for construction of residential and commercial buildings.

Mafco's initial investment in each venture, other than the Ritz-Carlton Hotel, is substantially represented by its share of the cost of land acquisition. Projects being held for rental income have or will have long-term financing under mortgages on the real estate, with no liability to Mafco other than its investment in the venture. The hotel furnishings and start-up costs are being financed with equity capital from the venturers. Construction and other interim financing for all ventures is obtained mainly from bank loans jointly and severally guaranteed by Mafco and certain of its co-venturers. Under all joint-venture financing, Marshall Field & Company has no liability other than its investment in Mafco.

Additional information on these projects appears on pages 19 and 20 and in note 4 to the financial statements on pages 27-30.

Ten Year Summary

(in thousands of dollars)

Fiscal Year	1975	1974	1973
Operating Results			
Net Sales	$573,779	$547,600	$521,908
Gross Margin after Cost of Sales and Buying and Occupancy Expenses	168,302	159,743	153,015
Selling, General and Administrative Expenses	127,797	120,452	112,927
Interest Expense	1,516	1,579	1,390
Interest Income	(217)	(315)	(955)
Interest Capitalized	(719)	(1,318)	(907)
Loss from Real Estate Ventures	2,743	24	—
Income before Income Taxes	37,181	39,322	40,560
Per cent of Sales	6.5	7.2	7.8
Income Taxes	17,855	19,012	19,658
Net Income	19,326	20,310	20,902
Per cent of Sales	3.4	3.7	4.0
Preferred Dividend Requirement	50	65	78
Net Income Applicable to Common Stock	19,276	20,246	20,824
Per Common Share (4)	2.13	2.24	2.30
Common Dividends Declared	11,227	11,227	11,096
Per Common Share (4)	1.24	1.24	1.22½
Net Income Retained	8,049	9,019	9,728
Average Number of Common Shares Outstanding (in thousands) (4)	9,054	9,054	9,069
Capital Expenditures—			
Modernization and Replacement	8,233	5,872	4,656
Expansion	15,004	13,122	13,324
Total	23,237	18,994	17,980
Depreciation	8,880	7,563	6,781
Financial Position			
Accounts Receivable	$ 90,524	$ 85,775	$ 84,121
Merchandise Inventories	87,640	83,805	83,932
Working Capital	105,986	109,462	109,595
Net Property and Equipment	146,373	132,568	121,929
Long-Term Debt	22,779	23,735	24,956
Common Stockholders' Equity	228,145	220,077	211,040
Per Common Share (4)	25.20	24.31	23.31
Stores (end of year)			
Number of Stores	30	28	28
Total Store Area (in thousands of square feet)	8,404	7,984	7,917

Notes:

(1) 1974 reflects adoption of the last-in, first-out method for substantially all inventories not previously valued under this method. This accounting change had the effect of decreasing net income for 1974 by $1,173,000, or 13 cents per common share.

(2) Operating results include The Halle Brothers Company beginning with December 1970 under purchase accounting. Financial position and store statistics at the end of 1970 and subsequent years reflect the Halle merger.

1972	1971	1970	1969	1968	1967	1966
$492,794	$466,689	$401,883	$402,507	$386,287	$371,025	$349,217
147,337	137,416	118,357	120,611	114,968	109,399	102,381
105,298	99,440	86,414	83,972	79,618	75,617	70,266
1,377	1,664	1,146	933	904	953	967
(311)	(183)	(1,090)	(1,299)	(809)	(500)	(533)
(589)	(556)	(282)	—	—	—	—
—	—	—	—	—	—	—
41,563	37,052	32,168	37,005	35,255	33,329	31,682
8.4	7.9	8.0	9.2	9.1	9.0	9.1
20,106	18,000	16,089	19,448	18,007	15,653	14,971
21,457	19,052	16,079	17,557	17,248	17,676	16,710
4.4	4.1	4.0	4.4	4.5	4.8	4.8
96	108	19	—	—	—	—
21,362	18,944	16,060	17,557	17,248	17,676	16,710
2.34	2.08	1.82	2.01	1.97	2.01	1.91
10,399	10,034	9,718	9,533	8,484	8,441	8,434
1.14	1.10	1.10	1.10	1.00	1.00	1.00
10,963	8,909	6,333	8,024	8,763	9,235	8,276
9,122	9,122	8,805	8,752	8,776	8,774	8,769
3,910	2,949	3,587	3,116	3,658	3,647	2,920
3,841	10,124	6,208	2,828	7,059	5,730	7,253
7,751	13,073	9,795	5,944	10,717	9,377	10,173
6,588	6,183	6,070	5,923	5,833	5,639	5,278
$ 77,835	$ 78,423	$ 81,859	$ 63,963	$ 60,699	$ 56,867	$ 52,816
82,099	77,751	73,732	65,632	61,218	59,699	55,843
113,425	102,555	104,211	101,826	94,307	90,490	84,494
111,342	112,029	105,788	92,119	92,119	87,806	84,394
26,437	28,138	29,911	23,500	23,600	23,700	23,800
203,195	192,202	183,257	170,445	162,826	154,596	145,088
22.27	21.07	20.09	19.51	18.61	17.59	16.54
26	26	25	15	15	14	14
7,490	7,490	7,131	5,657	5,657	5,442	5,442

(3) 1968 and prior years have been restated to include The Crescent under pooling of interests accounting.
(4) Adjusted to reflect two-for-one stock split effective May 14, 1969.

Financial Review

The Ten Year Summary, on the two preceding pages, presents a review of financial information on your Company. The Financial Statements with accompanying Notes, beginning on page 22, report the Company's operating results and financial position. A discussion and analysis of results of operations, finances, and other factors important to your Company follow.

Operating Results

Net income in 1975 was $19,326,000, or $2.13 per share, a decrease of 4.8 per cent from the previous year. Earnings were $2.24 per share in 1974 and $2.30 in 1973. Income before income taxes of $37,181,000 in 1975 was 6.5 per cent of sales compared with 7.2 and 7.8 per cent in 1974 and 1973, respectively.

An unusual item affecting 1975 earnings was a charge of $1,012,000 after taxes, or 11 cents per share, to reduce investment in a real estate venture to estimated realizable value. This charge, which amounted to $1,946,000 before taxes, is included in the total 1975 loss of $2,743,000 on real estate ventures.

In 1974 net income was affected by the adoption of the last-in, first-out (LIFO) method of accounting for substantially all inventories. At the end of 1973, only 15 per cent of inventories was valued on a LIFO basis. This change removed inventory price profits of $2,760,000, or 30 cents per share, from 1974 earnings. This was partially offset by a one-time credit of $1,587,000, equal to 17 cents per share, to increase inventory values at February 1, 1974 from the lower of cost or market to cost, as required for LIFO. The net effect on 1974 net income was a decrease of $1,173,000, or 13 cents per share.

Sales increased 4.8 per cent in 1975 to an all-time high. Unit volume was virtually unchanged from 1974. Outlying stores provided 56 per cent of 1975 sales.

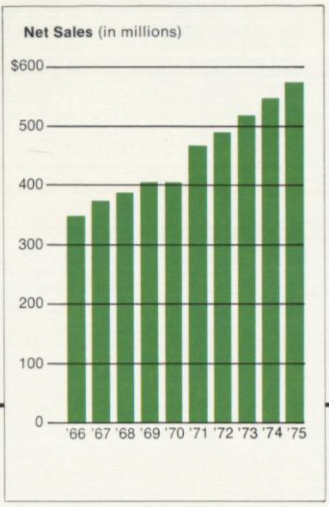
Operating results for both 1975 and 1974 were influenced by the recent recession, the most severe since the 1930's. In our Company the effect of these economic conditions, first evident in October 1974, was reflected in a 37 per cent decrease in earnings for the first half of 1975. This economic downturn especially affected the Midwest, with its dependence on durable goods manufacturing. In the last half of 1975 the unemployment rate for the Chicago area was above the national average for the first time in many years. With recovery beginning gradually in May 1975, Company earnings before the unusual real estate charge increased 17 per cent in the second half of the year. As economic improvement continues, the Midwest can be expected to recover at an accelerating pace with benefit to the Chicago Stores and Halle Divisions. Economic conditions were better in the Northwest where, as a result, Frederick & Nelson and The Crescent had stronger performances than the Company's other divisions in 1975.

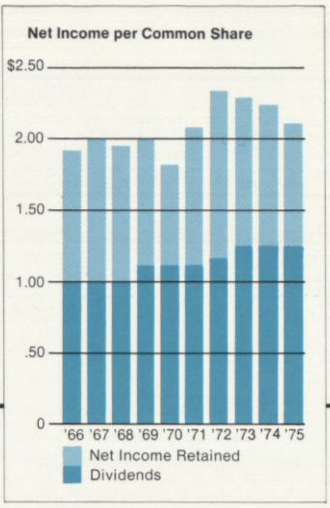
To meet these changing conditions, your Company took positive action to maintain profitability. Expenses were closely controlled, with particular emphasis on productivity. Inventories were kept in balance with sales, avoiding excessive markdowns.

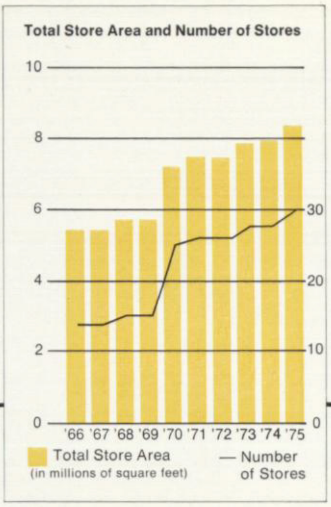
Gross margin after buying and occupancy expenses was 29.3 per cent of sales in 1975, compared with 29.2 per cent in 1974 and 29.3 per cent in 1973. During 1975 improved markup on incoming merchandise was offset by higher buying and occupancy costs. Gross margin for 1974 was reduced by the change to the LIFO inventory method, but benefited from the removal of Phase IV of the U.S. economic control program at the beginning of the year. These price controls had adversely affected margins for the last half of 1973. Occupancy cost increases in 1975 and 1974 included higher depreciation, largely incurred for new stores and modernization of existing units. Rentals also increased, reflecting added stores.

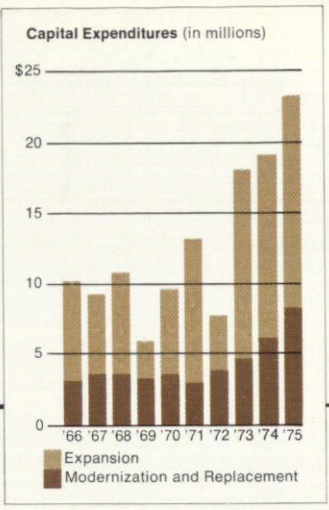
Selling, general and administrative expenses increased at a faster rate than sales in 1975 and 1974 because of the combined effect of recession and inflation, and the cost of new stores. Advertising expense rose in both years, primarily due to higher newspaper linage rates.

Interest income declined in 1975 and 1974 due to a lower amount of funds available for short-term investment on a seasonal basis and due to lower rates in 1975. Interest capitalized was less in 1975, reflecting lower interest rates and our policy of limiting such capitalization to amounts estimated to be realizable. The amount capitalized in 1974 was greater than 1973 based on increased investment in real estate joint ventures and higher rates. Capitalization of interest is explained in note 1h, page 27.









Credit

As a service to customers, the Company offers several different credit plans. They vary somewhat in different markets, depending upon competitive conditions and legal requirements. In general, customers can pay within 30 days or on an installment basis.

Credit sales were 64 per cent of last year's total business. Installment sales were 34 per cent of total credit volume. The proportion of our business done on installment terms continues to increase gradually. Credit losses were only .2 per cent of 1975 credit sales. Collection and delinquency ratios for receivables remain excellent.

Dividends

Dividends of $1.24 per common share represented 58 per cent of available earnings, with the balance being invested in expansion and in modernization of the Company's stores. As the result of four increases, dividends declared in 1975 were 34 per cent higher than in 1965. Based on the price of the stock at the end of March 1976, the $1.24 dividend provided a yield of 5.5 per cent to stockholders.

Finances

Company finances continue to be excellent. Bank lines of credit at the prime rate were increased in 1975 from $35,000,000 to $40,000,000. Short-term commercial paper was issued during the past year to meet seasonal cash needs. The maximum outstanding was about $23,000,000, and all such borrowing was repaid by the end of the fiscal year. Commercial paper will again be used in 1976 to finance short-term requirements.

Inventories of $87,640,000 were 4.6 per cent higher than at the beginning of the year. Inventories for our new Water Tower Place and Fox Valley stores more than accounted for this increase. Merchandise on order at January 31, 1976 was $33,100,000, an increase of 8.0 per cent from a year earlier, when commitments were intentionally reduced in response to the recession.

The need for long-term capital required to finance the Company's expansion program and real estate investments, as well as the best means of raising such funds, is under study. Your Company is in a strong position to undertake any long-term financing if needed. Long-term debt and the present value of future minimum rental obligations on long-term financing leases are only 23 per cent of stockholders' equity, a very favorable ratio by comparison with others in our industry.

Capital Expenditures

Expenditures in 1975 were $23,237,000, of which $15,004,000 was spent for expansion, largely for our new stores at Water Tower Place, Fox Valley and Orland Square. The balance of $8,233,000 included the initial phase of modernizing the first floor of the State Street store, refurbishing the Old Orchard store, and installation of electronic sales registers in four units of the Chicago Stores Division. Estimated expenditures for 1976 are $18,000,000. Major projects include the completion of the Orland Square store, modernization of additional first floor areas of the State Street store, renovation of the Old Orchard, Oakbrook and Halle's Westgate stores, and completion of electronic register installation in the Chicago Stores Division.

Investments in Real Estate and Hotel

As stated above, operating results in 1975 reflected a pre-tax loss of $2,743,000 on real estate ventures, including $1,946,000 to reduce investment in the New Century Town joint venture to estimated realizable value. This adjustment resulted from appraisals and evaluations of all suburban shopping centers and adjacent land development in which the Company's wholly-owned subsidiary Mafco, Inc. is a co-venturer. Mafco's share of the estimated realizable value of these ventures exceeds its investment in them.

Substantially all of the $797,000 balance of the loss on real estate ventures represented Mafco's share of the loss at the Hawthorn shopping center, which opened in the fall of 1973. Like all of our real estate ventures, this center was developed for its long-term potential, and its retail tenants have been experiencing strong sales increases for the past two years. The venture's cash flow is now at the break-even point and we regard this center as an excellent investment.

During 1975 it was decided that Mafco would not be a co-venturer in the shopping centers and adjacent land development in the Joliet and West Dundee, Illinois areas, where the Company plans to have stores. This decision was based on our continuing re-evaluation of the best use of the Company's financial resources and management efforts.

The Marshall Field & Company store at Water Tower Place opened in October and the Ritz-Carlton hotel opened in December 1975. Other retail shops and boutiques in the vertical shopping mall began opening in February 1976. The first condominium owners are expected to begin occupying their apartments in late April.

Initially the Water Tower Place joint venture owned one-half of the Ritz-Carlton hotel, with Mafco thereby having a one-quarter interest. Due to changes in the financial markets, the ownership of the hotel was restructured during 1975. Under the new arrangement, Mafco and its co-venturer in Water Tower Place each own one-half of the hotel.

Further information on Mafco's investments in real estate and the hotel appears on pages 14-15 and in note 4 to the financial statements on pages 27-30.

Administrative Changes

In the corporate organization, Mr. Arthur E. Osborne was elected Senior Vice President; Mr. John A. Kroyer was elected Vice President and Comptroller; Mr. Paul R. Obert was elected Vice President—Law and Secretary; Mr. James E. Ryan was elected Vice President and Treasurer; and Mr. John A. Bernauer was appointed Assistant Comptroller.

In corporate administration, Mr. Roger E. Glasson was appointed Vice President—Real Estate.

In the Chicago Stores Division, Mr. Raymond A. Allen was appointed Vice President, Merchandising; Mr. Horton H. Kellogg was appointed Vice President, Merchandising; and Mr. H. John Toomire was appointed Vice President and Divisional Comptroller. At Halle's, Mr. Edward H. Ryan was appointed Vice President and Divisional Comptroller. At The Crescent, Mr. Harry E. Fuhs was named Vice President and Divisional Comptroller.

Quarterly Data

Sales and Net Income

(in thousands of dollars)

Net Sales

Quarter	1975	1974	Per Cent Change
1st	$111,905	$115,673	(3.3)
2nd	127,872	125,995	1.5
3rd	145,367	136,255	6.7
4th	188,635	169,677	11.2
Year	$573,779	$547,600	4.8

Net Income

	1975		1974 (1)	
Quarter	Amount	Per Share	Amount	Per Share
1st	$ 637	$ .07	$ 2,647	$ .29
2nd	3,347	.37	3,659	.40
3rd	5,226	.58	4,942	.54
4th	10,116	1.12(2)	9,063	1.00
Year	$19,326	$2.13	$20,310	$2.24

(1) Net income for the 1st, 2nd, and 3rd quarters has been restated to reflect the adoption in 1974 of the last-in, first-out method for substantially all inventories not previously valued under this method.

(2) Reflects an unusual charge of $1,012,000, or 11 cents per share, for a real estate venture (note 4, pages 27-30).

Dividends and Stock Prices per Share

The common stock is traded on the New York and Midwest Stock Exchanges.

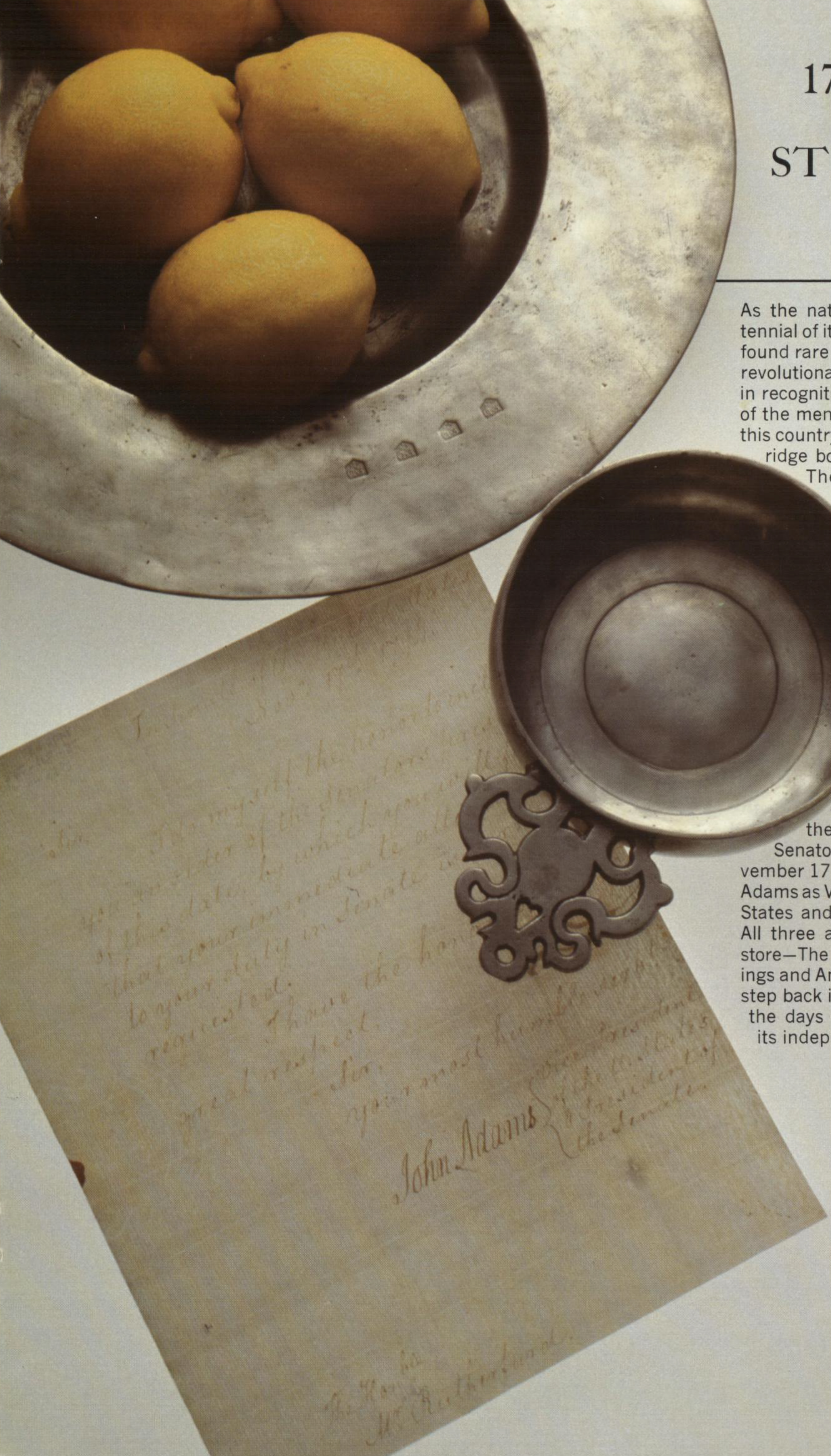
Dividends Paid

A dividend of 31 cents per share was paid in each quarter of 1975 and 1974.

Market Price

Quarter	1975		1974	
	High	Low	High	Low
1st	26⅜	19¼	20¾	17½
2nd	25¼	19⅞	21¼	17⅛
3rd	23⅞	18½	18⅞	14¼
4th	25⅞	22	20½	12¼

1776-1976 A STEP BACK IN TIME



As the nation celebrates the bicentennial of its birth, there are still to be found rare and beautiful treasures of revolutionary times. Presented here in recognition of the talent and spirit of the men and women who founded this country are a pewter plate, a porridge bowl and a one-page letter. These are simple everyday relics of the past, but each tells a story. The broad rim dish was made by Edmund Dolbear who worked in Boston or Salem in the years 1671-1711. American pewter dated this early is extremely rare. The porringer, also pewter, is the work of Frederick Bassett of New York City and Hartford, circa 1760 to 1800. Finally there is a letter summoning a Senator to attendance, dated November 17, 1794 and signed by John Adams as Vice President of the United States and President of the Senate. All three are from our State Street store—The Pewter Shop and Fine Bindings and Antiquarian Books. Each is a step back in time, a remembrance of the days when our country gained its independence.

Consolidated Statement of Income and Retained Earnings

	Fiscal Year Ended	
	January 31, 1976	January 31, 1975
Net Sales	$573,778,899	$547,599,874
Deduct:		
Cost of goods sold and expenses, exclusive of items listed below	$477,265,792	$456,250,617
Advertising	18,536,520	16,325,940
Taxes other than income taxes	17,327,931	17,710,031
Depreciation (note 1c)	8,880,462	7,562,999
Maintenance and repairs (note 1c)	6,597,557	6,250,595
Rentals paid (note 5)	4,665,866	4,208,029
Interest expense	1,515,760	1,578,855
Interest income	(216,777)	(315,496)
Interest capitalized (notes 1a and 1h)	(718,761)	(1,317,634)
Total costs (note 2)	$533,854,350	$508,253,936
Income before Loss from Real Estate Ventures	$ 39,924,549	$ 39,345,938
Loss from real estate ventures (note 4)	2,743,275	23,769
Income before Income Taxes	$ 37,181,274	$ 39,322,169
Income taxes (note 1d)	17,855,000	19,012,000
Net Income	$ 19,326,274	$ 20,310,169
Retained Earnings at beginning of year	184,445,384	175,426,299
	$203,771,658	$195,736,468
Cash dividends declared on:		
Cumulative preferred stock—		
Series A, $2.40 per share	$ 26,128	$ 29,990
Series B, $3.00 per share	24,075	34,425
Common stock—$1.24 per share in both years	11,226,761	11,226,669
	$ 11,276,964	$ 11,291,084
Retained Earnings at end of year (note 8)	$192,494,694	$184,445,384
Net Income per Common Share (average shares outstanding 9,053,767 and 9,053,765, respectively)	$ 2.13	$ 2.24

See notes to financial statements on pages 26 through 32.

Consolidated Statement of Changes in Financial Position

	Fiscal Year Ended	
	January 31, 1976	January 31, 1975
Working Capital Provided:		
Net income	$ 19,326,274	$ 20,310,169
Add items not requiring the use of working capital—		
Depreciation	8,880,462	7,562,999
Increase in long-term deferred income taxes and investment credit (note 1d)	6,652,595	4,104,967
Working capital provided from operations	$ 34,859,331	$ 31,978,135
Sales of land and buildings	46,157	244,876
Other	512,371	546,206
	$ 35,417,859	$ 32,769,217
Working Capital Used:		
Additions to property and equipment	$ 23,237,118	$ 18,993,768
Investments in real estate ventures and hotel venture (note 1d)	3,232,540	1,052,705
Dividends	11,276,964	11,291,084
Purchases of Company stock (note 7)	191,495	343,316
Reduction in long-term debt	956,127	1,221,356
	$ 38,894,244	$ 32,902,229
Decrease in Working Capital	$ (3,476,385)	$ (133,012)
Increases (Decreases) in Working Capital:		
Cash and short-term investments	$ (4,092,719)	$ 3,226,144
Receivables	4,749,145	1,653,113
Merchandise inventories (note 1b)	3,835,425	(127,134)
Prepaid expenses	(693,385)	160,367
Accounts payable	(5,338,486)	(3,973,018)
Accrued liabilities	(1,175,024)	(1,127,077)
Income taxes	(1,026,570)	(204,518)
Current maturities of long-term debt	265,229	259,111
Decrease in Working Capital	$ (3,476,385)	$ (133,012)

See notes to financial statements on pages 26 through 32.

Consolidated Balance Sheet

ASSETS

	January 31, 1976	January 31, 1975
Current Assets:		
Cash	$ 8,903,169	$ 8,006,950
Commercial paper, at cost (approximates market)	—	4,988,938
Receivables, less allowance of $1,680,000 and $1,579,000, respectively, for doubtful accounts	90,523,701	85,774,556
Merchandise inventories (note 1b)	87,640,167	83,804,742
Prepaid expenses	3,155,612	3,848,997
Total Current Assets	$190,222,649	$186,424,183
Investments in Real Estate Ventures and Hotel Venture (notes 1a, 1h, and 4)	$ 19,768,397	$ 14,797,565
Property and Equipment, at cost:		
Land	$ 22,628,349	$ 22,443,753
Buildings	143,874,849	132,716,793
Equipment	64,351,643	54,797,328
	$230,854,841	$209,957,874
Less accumulated depreciation	84,482,122	77,389,433
Net Property and Equipment	$146,372,719	$132,568,441
	$356,363,765	$333,790,189

See notes to financial statements on pages 26 through 32.

LIABILITIES

	January 31, 1976	January 31, 1975
Current Liabilities:		
Accounts payable	$ 33,715,231	$ 28,376,745
Accrued liabilities	34,540,272	33,365,248
Income taxes (note 1d)—		
Current	4,633,710	4,554,609
Deferred	10,391,349	9,443,880
Current maturities of long-term debt	956,127	1,221,356
Total Current Liabilities	$ 84,236,689	$ 76,961,838
Long-Term Debt, less current maturities (note 6)	$ 22,778,645	$ 23,734,772
Deferred Income Taxes (note 1d)	$ 16,740,642	$ 9,899,111
Deferred Investment Credit (note 1e)	$ 3,539,582	$ 1,990,226
Stockholders' Equity:		
Preferred Stock (note 7)— Authorized 1,000,000 shares of $1 par value, issuable in series; stated at redemption value:		
Series A, $2.40 cumulative dividend; 10,260 and 11,486 shares outstanding, respectively	$ 533,520	$ 597,272
Series B, $3.00 cumulative dividend; 7,500 and 10,200 shares outstanding, respectively	390,000	530,400
Common Stock— Authorized 20,000,000 shares of $1 par value; 9,154,971 shares issued at par value	9,154,971	9,154,971
Additional Paid-in Capital (note 7)	29,175,926	29,165,090
Retained Earnings (note 8)	192,494,694	184,445,384
	$231,749,111	$223,893,117
Less 100,906 and 101,206 treasury common shares, respectively, at cost	2,680,904	2,688,875
Total Stockholders' Equity	$229,068,207	$221,204,242
	$356,363,765	$333,790,189

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of intercompany accounts and transactions. Investments in real estate ventures and a hotel venture are carried at cost (including capitalized interest) plus the equity of the Company's subsidiary in the ventures' net income or losses, or at estimated realizable value, whichever is lower.

b. Inventory Pricing

Substantially all merchandise inventories are valued at last-in, first-out (LIFO) cost, which is not in excess of market. If the first-in, first-out (FIFO) method had been used, inventories would have been $11,026,000 and $9,030,000 higher than reported at January 31, 1976 and January 31, 1975, respectively.

c. Property and Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment for financial reporting purposes. Accelerated depreciation is used for income tax purposes. Maintenance, repairs and minor renewals are charged to expense as incurred. Significant replacements, betterments and major renewals are capitalized. The cost and accumulated depreciation of fully depreciated equipment are removed from the accounts. Gain or loss is recognized upon sale or other disposition of real estate or major units of equipment.

d. Income Taxes

The Company provides currently for income taxes applicable to all items included in the income statement regardless of when such taxes are payable. Deferred income taxes included in current liabilities arise primarily from deferred income on uncollected installment sales while long-term deferred income taxes arise from accelerated depreciation and the tax effect of certain differences between the book and tax basis of real estate and hotel venture assets. In 1975, deferred income taxes of $1,738,292 applicable to capitalized interest were reclassified from investments in real estate ventures to long-term deferred income taxes. The provision for income taxes consists of the following:

	Fiscal Year	
	1975	1974
Taxes currently payable—		
Federal	$ 9,084,000	$12,217,000
State	1,171,000	1,062,000
Deferred investment credit	1,549,000	109,000
Deferred taxes (including nominal amounts of state income taxes) arising from—		
Uncollected installment sales	984,000	722,000
Accelerated depreciation	1,881,000	2,002,000
Real estate ventures and hotel venture	3,222,000	1,994,000
Other	(36,000)	906,000
	$17,855,000	$19,012,000

The differences between the provisions for Federal income taxes and the amounts derived from applying the 48% statutory rate to pre-tax income are not significant.

e. Investment Tax Credit

Investment tax credits of $1,868,000 and $353,000 for 1975 and 1974, respectively, have been deferred and are being amortized as a reduction of the income tax provisions over the depreciable lives of the related equipment. Such amortization was $319,000 and $244,000 for 1975 and 1974, respectively.

f. Retirement Plans

The retirement plans cover, subject to certain length-of-service requirements, substantially all full-time employes. It is the Company's present policy to charge income annually with the cost of pensions earned by employes during the year. For the plan covering most employes, this charge is increased by interest on unfunded pension liability or decreased by amortization over a

20-year period of the excess of trust fund assets over pension liability, whichever is applicable. Retirement plan expense was $3,125,000 and $2,677,000 for 1975 and 1974, respectively. The present policy is to fund currently each year's total expense. The pension fund assets as of January 31, 1976 exceeded the computed value of the vested benefits as of the date of the most recent valuation available.

Based upon information currently available to the Company and its actuaries, the Employee Retirement Income Security Act of 1974 is not expected to have a significant effect upon the consolidated cost of the pension plans, periodic funding of pension costs, or unfunded vested benefits.

g. Store Pre-Opening Expenses

Store pre-opening expenses are charged to income in the year the expenses are incurred.

h. Interest Capitalization

Since the inception of its real estate investment program in 1970, Mafco, Inc., a wholly-owned subsidiary, has consistently followed the policy of capitalizing interest on its equity investments in real estate joint ventures (essentially represented by the cost of land) during their development periods, but limited to amounts estimated to be realizable, in order to match such interest costs with subsequent revenues.

Interest capitalized by Mafco has been computed at the lower of the prime rate or the rate paid by Marshall Field & Company on its commercial paper issued from time to time. Net income for 1975 and 1974 would have been reduced by $374,000 and $685,000, respectively, if interest had been charged to expense as incurred. Capitalized interest is amortized over the term that major department stores have committed to operate in shopping centers and Water Tower Place, or is charged to income as properties are sold.

i. Finance Charges and Credit Losses

Customer finance charges are computed on the monthly receivable balance and are recorded as income when billed. The income and related expenses are reflected in cost of goods sold and expenses in the accompanying consolidated statement of income. The amount of revenue from customer finance charges was $5,152,000 in 1975 and $4,860,000 in 1974.

Provisions for credit losses on customer accounts are made in amounts required to maintain adequate allowances to cover estimated losses. Accounts are charged to the allowance for doubtful accounts if the balance is not paid within a specified period of time or if other information indicates uncollectibility.

(2) Total costs as reported to the Securities and Exchange Commission are classified as follows:

	Fiscal Year	
	1975	1974
Cost of goods sold, including buying and occupancy expenses	$405,477,354	$387,856,633
Selling, general and administrative expenses	127,796,774	120,451,578
Interest expense	1,515,760	1,578,855
Interest income	(216,777)	(315,496)
Interest capitalized	(718,761)	(1,317,634)
	$533,854,350	$508,253,936

(3) The Company has bank lines of credit amounting to $40,000,000 at the prime lending rate. In most instances the Company's operating balances are used to support both the banking activity and as compensating balances for the lines of credit. Typically such balances, as shown on the books of the banks, on average are maintained at a minimum of 10% of the lines of credit. During 1975 and 1974, the maximum aggregate short-term debt outstanding from bank borrowing or commercial paper was $23,310,000 and $14,350,000, respectively. The average annual amount of short-term debt outstanding was $4,930,000 in 1975 and $4,069,000 in 1974. The average rate of interest paid on this debt was 6.1% in 1975 and 10.3% in 1974, based on interest paid and the average debt outstanding. It is the Company's policy to maintain at all times unused bank lines of credit equal to or exceeding the amount of commercial paper outstanding.

(4) Mafco, Inc., a wholly-owned consolidated subsidiary, is a co-venturer in the Water Tower Place, Hawthorn Center, New Century Town, Westbrook and Orland Park real estate joint ventures and the Ritz-Carlton Water Tower hotel joint venture.

Water Tower Place (½ Mafco interest) is constructing an urban center on North Michigan Avenue in Chicago. It includes a department store leased to the Company, other retail facilities, offices, condominium apartments and a hotel. Portions of the retail facilities, office space, and hotel were completed and tenants began operations therein in the latter part of 1975.

Hawthorn Center (⅔ Mafco interest) has developed a regional shopping center in Vernon Hills, north of Chicago. The center, which opened in the fall of 1973, includes a department store owned by the Company.

New Century Town (⅓ Mafco interest) adjacent to Hawthorn Center, and Westbrook (⅓ Mafco interest) are developing land for new communities. Westbrook is in Aurora, west of Chicago; a regional shopping center adjoining Westbrook opened in 1975 and includes a department store owned by the Company which opened in February 1975.

Orland Park Venture (⅓ Mafco interest) southwest of Chicago is constructing a regional shopping center and developing adjacent land for residential and commercial usage. The center will open in 1976 and includes a department store owned by the Company which opened in March 1976.

It is planned that the land owned by New Century Town and Westbrook and the land adjacent to the Orland Park shopping center will, for the most part, be sold to other developers for construction of housing and related real estate facilities.

Ritz-Carlton Water Tower (½ Mafco interest) was organized in 1975 by Mafco and its co-venturer in Water Tower Place to lease, furnish and operate the Ritz-Carlton hotel in Water Tower Place. The hotel began operations in December 1975.

The combined financial position of the real estate joint ventures and the hotel joint venture as of December 31, 1975 and 1974 and the results of their operations for the years then ended are summarized below:

COMBINED BALANCE SHEET (in thousands)

Assets	**December 31**	
	1975	**1974**
Property, at lower of cost or estimated realizable value—		
Property held for sale—		
Water Tower Place condominiums	$ 35,489	$ —
Land, less allowance for estimated possible losses of $4,500,000 in 1975	30,852	28,064
	$ 66,341	$ 28,064
Commercial rental and hotel property, net of accumulated depreciation	137,784	20,589
Property under development	24,998	79,518
Deferred expenses	4,694	1,985
Cash, accounts and notes receivable and other assets	7,933	4,019
	$241,750	$134,175
Liabilities and Venturers' Capital		
Development and construction loans from (see comments below)—		
Venturers, at prime rate plus 1.8% to 2%	$ 45,438	$ 71,270
Banks, at prime rate plus 2%	124,670	—
8¾% long-term first mortgage loan (not guaranteed by Mafco)	20,876	21,000
Accounts and retentions payable	12,854	9,888
Accruals and other liabilities	6,261	2,830
Total liabilities	$210,099	$104,988
Venturers' capital—		
Mafco, Inc.	$ 14,079	$ 11,964
Other venturers	17,572	17,223
Total venturers' capital	$ 31,651	$ 29,187
	$241,750	$134,175

COMBINED RESULTS OF OPERATIONS (in thousands)

	Year Ended December 31	
	1975	1974
Profit from operations and sales of real estate, before interest	$ 1,020	$ 519
Provision for estimated possible losses on sales of real estate	(4,500)	—
Interest expense	(13,152)	(6,971)
Interest capitalized or deferred	11,247	6,469
Total combined profit (loss)	$ (5,385)	$ 17
Mafco's equity in above combined profit (loss) and 1975 provision of $671,000 to reduce investment in a joint venture to estimated realizable value	$ (2,743)	$ (24)

Mafco's investment in real estate ventures and the hotel venture in the accompanying Marshall Field & Company consolidated balance sheet as of January 31, 1976 of $19,768,397 is comprised of its equity in joint ventures of $14,079,247, capitalized interest on its equity investment of $3,222,567 and an investment in land being held for future development of $2,466,583.

Of the $45,438,000 in development and construction loans shown on the above combined balance sheet, $38,105,000 has been provided by a group of banks under a revolving credit agreement with one of the venturers which expires March 1, 1977. Renewal of this agreement is under negotiation. Mafco and certain of its co-venturers have jointly and severally guaranteed repayments of these loans to the banks. It is anticipated that such repayments will be made from the proceeds of long-term mortgages and sales of properties.

The total cost of Water Tower Place upon completion is presently estimated to be $180,000,000, of which $147,810,000 had been incurred as of December 31, 1975. The venture has a construction loan commitment from a group of banks in the amount of $130,000,000 of which $124,670,000 had been borrowed at December 31, 1975. Mafco and its co-venturer, Urban Investment and Development Co. (a subsidiary of Aetna Life and Casualty Company) have jointly and severally guaranteed repayment of the loans under this commitment. It is anticipated that repayments will be made from proceeds of a long-term mortgage and sales of condominium apartments. Water Tower Place has a mortgage commitment for a minimum of $87,500,000 which will not be guaranteed by Mafco. This commitment covers all of the property except the condominium apartments and is subject to various conditions and liquidated damages if the conditions are not met. A major condition is attainment of a minimum level of rental income by November 30, 1976. Based upon current projections, management is of the opinion that this and all other conditions will be met.

Water Tower Place will contain 260 condominium units with an estimated aggregate sales value of $55,000,000, which approximates estimated total cost through completion and sale of all units. Closings for condominiums began in April, 1976. To protect against the contingency that all condominiums may not be sold by May 31, 1977, the maturity date of the construction loan, Mafco and its co-venturer have each arranged stand-by financing for up to $15,000,000 to be applied in discharge of the construction loan. If used, the $15,000,000 of financing arranged by Mafco would be repaid from proceeds of condominium sales with any remaining balance to be repaid at maturity on June 15, 1979.

Mafco's maximum equity in Water Tower Place is expected to be $20,000,000 (of which $9,894,000 had been invested as of January 31, 1976), exclusive of any additional investment which may be required to finance unsold condominiums.

The estimated cost of the hotel furnishings and the development and pre-opening expenses for Ritz-Carlton Water Tower is $15,000,000, of which $9,300,000 had been expended as of December 31, 1975. Mafco's maximum equity is expected to be $7,000,000, of which $4,178,000 had been invested as of January 31, 1976.

The estimated cost of the Orland Park shopping center, exclusive of the Company's store, is $31,000,000, including $24,998,000 expended as of December 31, 1975, which has been financed through the revolving credit agreement referred to above. A mortgage financing commitment for $23,000,000 to $29,300,000 has been obtained and will not be guaranteed by Mafco.

Under all joint venture financing, Marshall Field & Company has no liability other than its investment in Mafco.

New Century Town has recorded a provision for losses on sales of developed land in the amount of $4,500,000, including estimated possible future losses of $3,825,000 (Mafco's share $1,275,000) determined as of December 31, 1975. In addition, Mafco has provided $671,000, representing interest capitalized in prior years, to reduce its investment in this joint venture to estimated realizable value. These provisions were based upon a review of development costs and related market information.

For financial reporting purposes, the joint ventures capitalize general development costs (consisting principally of architectural, engineering, and consultant fees) and carrying costs (consisting principally of interest and real estate taxes). Such costs are allocated to land and depreciable or saleable building components. Costs of leasing and advertising during development and construction periods are deferred until operations commence, and are charged to income over the lives of the related leases or as sales occur. Property held for sale as of December 31, 1975 includes capitalized interest and real estate taxes and deferred expenses of approximately $9,900,000. Mafco's share of interest, real estate taxes, start-up losses and costs of leasing and advertising are deducted as incurred for income tax purposes.

It is the accounting policy of the ventures to defer operating losses during the start-up period, as defined based upon the type of operations, of each venture. Generally such deferral ends when either 75% of the space is leased or until the first year of operations has ended, whichever occurs first. Deferred expenses of $4,694,000 as of December 31, 1975 include pre-opening expenses, operating losses during the start-up period, leasing and finance costs applicable to rental and hotel operations.

(5) As of January 31, 1976, 22 stores in operation were leased wholly or in part. In addition, certain data processing and other equipment is leased.

The retail store leases have noncancellable terms expiring between 1977 and 2028 with various renewal options. Many of these leases require the payment of minimum annual rentals plus additional rentals contingent upon sales reaching certain levels. Certain of the leases also require the payment of taxes, insurance, and other costs applicable to the property. Equipment leases have noncancellable terms expiring in 1977 and 1978 with various renewal options.

All of the retail store leases and certain of the equipment leases are considered by the Company to be noncapitalized financing leases. Such leases, as defined by the Securities and Exchange Commission, are those which are not reported as a liability in the balance sheet, but which, during the initial noncancellable lease period, either cover 75% or more of the economic life of the property or have terms which assure the lessor of a full recovery of the fair market value of the property at the inception of the lease plus a reasonable return on the use of the assets invested.

Rentals paid under leases during the past two years were as follows:

	Fiscal Year	
	1975	1974
Noncapitalized financing leases—		
Minimum rentals	$2,978,518	$2,615,704
Additional rentals based upon sales	777,380	788,290
Other leases	909,968	804,035
	$4,665,866	$4,208,029

The future minimum annual rental requirements on noncancellable leases in effect at January 31, 1976, which had an initial or remaining term of more than one year, are as follows:

Fiscal Years	
1976	$ 4,148,269
1977	3,774,974
1978	3,438,435
1979	2,891,013
1980	2,784,033
1981-1985	13,813,997
1986-1990	13,206,771
1991-1995	11,152,468
Thereafter	28,314,334
	$83,524,294

The above rentals exclude real estate taxes, insurance, maintenance and other costs which are applicable to leased property and which are paid directly by the Company and its subsidiaries rather than the lessors.

The present values of future minimum annual rental requirements under noncapitalized financing leases (excluding estimated amounts of real estate taxes, insurance, maintenance and other costs applicable to the leased property) were approximately $29,900,000 at January 31, 1976, and $17,300,000 at January 31, 1975. Of these amounts, approximately $28,000,000 in 1976 and $14,800,000 in 1975 were applicable to retail store leases with the balances applicable to equipment. Future annual rentals for the Company's store at Water Tower Place are included in the present value for 1976 in the amount of $13,500,000 and in the minimum annual rentals shown above. The Water Tower Place store is leased from a joint venture in which Mafco has a 50% interest. The present values were calculated using the estimated interest rates implicit in the individual leases which ranged from 4⅛% to 10% with the weighted average rate being 7½%.

Had noncapitalized financing leases been capitalized, the effect on income for 1975 and 1974 would have been immaterial.

(6) The Company's long-term debt consists of:

	January 31	
	1976	1975
3¾% notes, payable $800,000 annually to 1981 and $15,000,000 in 1982	$19,000,000	$19,800,000
8% mortgage note, payable quarterly to 1995	2,585,009	2,644,618
5½% note, payable quarterly to 1986	1,193,636	1,290,154
	$22,778,645	$23,734,772

The aggregate minimum payments required on long-term debt in each of the five years following the fiscal year 1975 are shown below:

Fiscal Years	Amount
1976	$ 956,000
1977	966,000
1978	978,000
1979	989,000
1980	1,002,000

(7) The stated amount of preferred stock outstanding on the accompanying consolidated balance sheet has been restated from par value to redemption value by a transfer of additional paid-in capital of which the amount applicable as of January 31, 1974 was $1,770,550.

Transactions in the preferred stock and additional paid-in capital accounts are summarized below:

	Preferred Stock				Additional Paid-in Capital
	Series A		Series B		
	Shares	Amount	Shares	Amount	
January 31, 1974	15,719	$ 15,719	19,200	$ 19,200	$30,917,712
Restatement to redemption value		791,350		979,200	(1,770,550)
Less treasury stock, at cost	(886)	(35,753)	(5,400)	(280,800)	
Purchased for treasury	(3,347)	(174,044)	(3,600)	(187,200)	17,928
January 31, 1975, as adjusted	11,486	$597,272	10,200	$530,400	$29,165,090
Purchased for treasury	(1,226)	(63,752)	(2,700)	(140,400)	12,657
Excess of cost over option price of common stock option exercised					(1,821)
January 31, 1976	10,260	$533,520	7,500	$390,000	$29,175,926

(8) At January 31, 1976, $149,365,000 of retained earnings was available for dividends on common stock under the terms of the Company's long-term debt agreement for 3¾% notes.

(9) Lawsuits are pending in Ohio against Halle's, which are similar to those brought against other retailers, and which purport to be class actions, attacking the legality of certain credit and billing practices. The ultimate consequences of these actions to the Company are not presently determinable, but the management does not anticipate that recoveries from Halle's thereunder, if any, will have a material adverse effect on the business or consolidated financial position of the Company.

(10) Under the 1974 Incentive Stock Option Plan, officers and other key executives of the Company or its subsidiaries may receive options to purchase common shares at 100% of the fair market value of the shares at dates of grant. All options granted under the Plan expire ten years from date of grant. The options granted become exercisable in cumulative equal amounts of 20% in the second through sixth years following the dates of grant. At January 31, 1975, options on 142,500 shares were outstanding at $20.50 per share, of which none were exercisable, and options on 157,500 shares were available for future grants. During the year ended January 31, 1976, options were granted for 4,000 shares at $22.87½ per share and exercised for 300 shares at $20.50 per share. At January 31, 1976, options were outstanding on 146,200 shares at $20.50 to $22.87½ per share; 28,200 were exercisable at $20.50 per share and 153,500 shares were available for future grants.

Auditors' Report

ARTHUR ANDERSEN & CO.

To the Stockholders of Marshall Field & Company:

We have examined the consolidated balance sheet of Marshall Field & Company (a Delaware corporation) and subsidiaries as of January 31, 1976 and 1975 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and changes in financial position present fairly the financial position of Marshall Field & Company and subsidiaries as of January 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

April 1, 1976
Chicago, Illinois

Arthur Andersen & Co.

Store Directory

The principal business of the Company and its subsidiaries is the operation of quality department stores. In the last two fiscal years, none of the merchandise or services classified by the Company as similar accounted for as much as 10 per cent of consolidated net sales.

CHICAGO STORES

State Street Store
2,225,000 square feet

CherryVale
115,000 square feet

Evanston
114,000 square feet

Fox Valley
250,000 square feet

Hawthorn Center
259,000 square feet

Lake Forest
16,000 square feet

Mayfair
290,000 square feet

Oakbrook
375,000 square feet

Oak Park
124,000 square feet

Old Orchard
445,000 square feet

Orland Square
200,000 square feet

Park Forest
116,000 square feet

River Oaks
264,000 square feet

Water Tower Place
170,000 square feet

Woodfield
355,000 square feet

FREDERICK & NELSON

Downtown Seattle Store
746,000 square feet

Aurora Village
150,000 square feet

Bellevue Square
158,000 square feet

Southcenter
175,000 square feet

COMMERCIAL FURNISHINGS

Contract Sales Divisions
Chicago
Cleveland
Seattle
Spokane

BUYING FACILITIES

Athens
Barcelona
Florence
Hong Kong
Lisbon
London
New Delhi
New York City
Paris
Seoul
Taipei
Tel Aviv
Tokyo

HALLE'S

Downtown Cleveland Store
606,000 square feet

Belden Village
52,000 square feet

Millcreek Mall
90,000 square feet

West Erie Plaza
34,000 square feet

Severance
168,000 square feet

Shaker Square
34,000 square feet

Southland
148,000 square feet

Summit Mall
111,000 square feet

Westgate
194,000 square feet

THE CRESCENT

Downtown Spokane Store
425,000 square feet

Northtown
91,000 square feet

University City
104,000 square feet

Transfer Agents

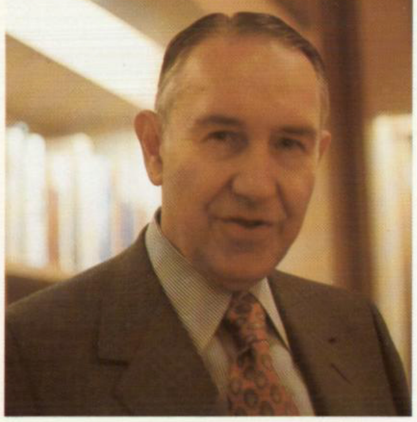
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
Chicago

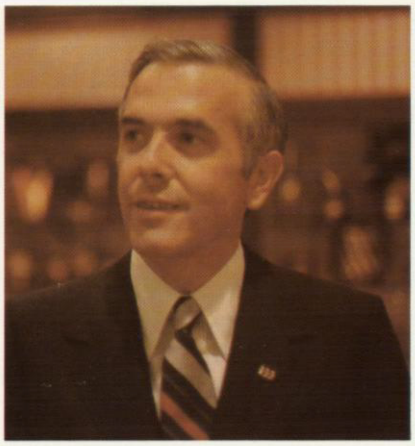
MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
New York

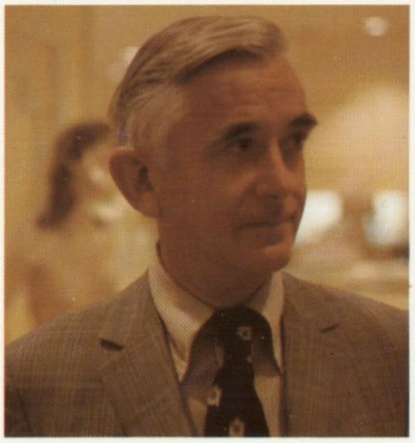
Registrars

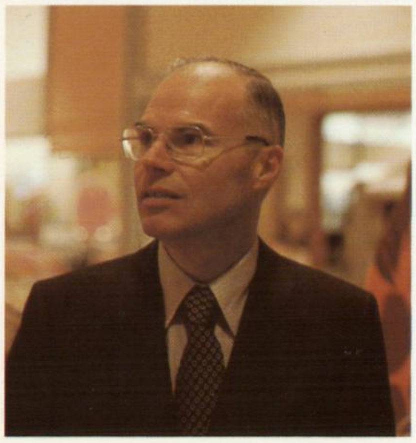
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

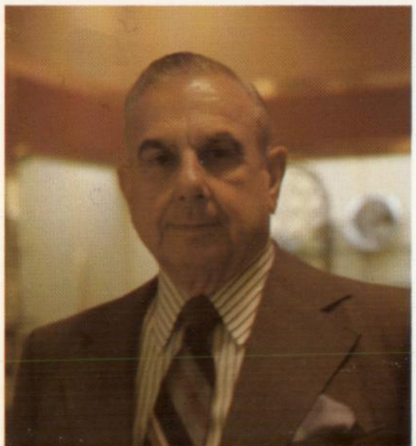
BANKERS TRUST COMPANY
New York











The Board of Directors of Marshall Field & Company (from the top, left to right): Joseph A. Burnham; John M. Simpson, Harold Byron Smith, Jr., Gerald A. Sivage and Howard M. Packard; John M. Budd and Albert B. Dick III; Edward McC. Blair and George G. Rinder; Harry O. Bercher.

Board of Directors

HARRY O. BERCHER, Retired Chairman of the Board, International Harvester Company (manufacturer of trucks, and farm and construction equipment)

EDWARD McC. BLAIR, Managing Partner, William Blair & Company (investment bankers)

JOHN M. BUDD, Director and former Chairman of the Board, Burlington Northern Inc. (rail transportation)

JOSEPH A. BURNHAM, President, Marshall Field & Company

ALBERT B. DICK III, Chairman, A. B. Dick Company (manufacturer and marketer of copying, duplicating and printing equipment, supplies and service)

HOWARD M. PACKARD, Director and retired Chairman and President, S. C. Johnson & Son, Inc. (manufacturer of Johnson waxes and other household, industrial and recreational products)

GEORGE G. RINDER, Executive Vice President, Marshall Field & Company

JOHN M. SIMPSON, Chairman of the Board, A. M. Castle & Co. (distributors and processors of steel and other metals)

GERALD A. SIVAGE, Director and former President, Marshall Field & Company

HAROLD BYRON SMITH, JR., President, Illinois Tool Works Inc. (manufacturer of fasteners, tools, electronic components and plastic packaging products)

Executive Committee

GERALD A. SIVAGE, Chairman
EDWARD McC. BLAIR
JOHN M. BUDD
JOSEPH A. BURNHAM

Audit Committee

HOWARD M. PACKARD, Chairman
EDWARD McC. BLAIR
HAROLD BYRON SMITH, JR.

Compensation Committee

ALBERT B. DICK III, Chairman
HARRY O. BERCHER
GERALD A. SIVAGE
HAROLD BYRON SMITH, JR.

Corporate Officers

JOSEPH A. BURNHAM	President
GEORGE G. RINDER	Executive Vice President
ARTHUR E. OSBORNE	Senior Vice President
JOHN A. KROYER	Vice President and Comptroller
PAUL R. OBERT	Vice President—Law and Secretary
JAMES E. RYAN	Vice President and Treasurer
ROBERT L. PATERSON	Vice President
HOWARD S. ALLEN	Assistant Comptroller—Taxes
JOHN A. BERNAUER	Assistant Comptroller
JAMES C. ELDER	Assistant Treasurer
CATHRYN H. NOLAN	Assistant Secretary
ROBERT A. WILBRANDT	Assistant Secretary and Senior Attorney

Vice Presidents of Corporate and Subsidiary Divisions

Chicago Stores

ARTHUR E. OSBORNE	General Manager
JOHN W. BASCHEN	General Merchandise Manager
LOREN A. DuBOIS	General Operating Manager

RAYMOND A. ALLEN
DENMAN H. BOYD
AUREL CAPRINI
LELAND C. CARSTENS
PHILIP G. DIBBLE
EDMUND J. DOERING
CARL D. GULDAGER
ROBERT R. HOFFMAN
ROBERT S. HOUSTON
HORTON H. KELLOGG
EVA JANE MILLIGAN
ASHTON OSBORNE
W. THOMAS POYER
HARRY A. ROOT
HOMER SHARP
CONNOR B. SHAW
REED F. TAYLOR
H. JOHN TOOMIRE
LESLIE L. WATERS

Frederick & Nelson

ROBERT L. PATERSON	General Manager
RICHARD A. DOSS	General Merchandise Manager
E. LAMONT McDONALD	General Operating Manager

ROBERT A. BOYD
LAWRENCE D. MOORE

Halle's

ROBERT M. RASMUSSEN	General Manager
ROBERT B. CARLSON	General Merchandise Manager
PAUL BRISK	General Operating Manager

LOIS MILLER
EDWARD H. RYAN
ROBERT S. SCHUG

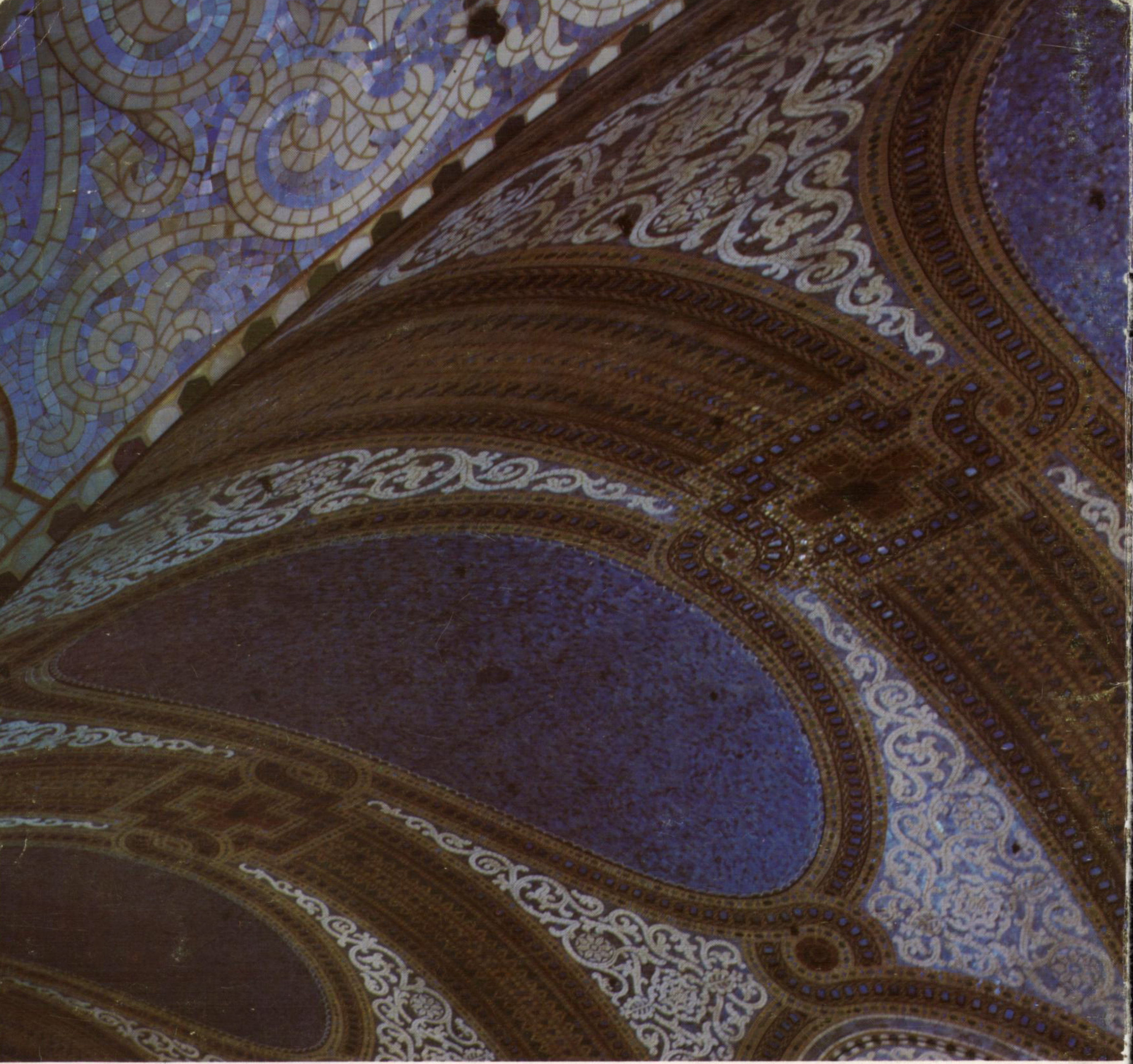
The Crescent

H. WILLIAM BACON	General Manager
JAMES G. ARGITES	General Operating Manager
CARL R. JONES	General Merchandise Manager

HARRY E. FUHS

Corporate Administration

ROGER E. GLASSON	Real Estate
H. DARRYL HOFFMAN	Information Systems
MICHAEL J. USAS	Industrial Relations



The Tiffany Dome in the south rotunda of Marshall Field & Company's State Street store. Designed and built under the direction of Louis Comfort Tiffany, it is one of the finest examples of glass mosaic to be found anywhere. Fifty men worked nearly two years to produce and install the dome, which covers 6,000 square feet and has 1,600,000 pieces of iridescent favrile glass. It was unveiled September 30, 1907 to mark the opening of the "new completed retail store."